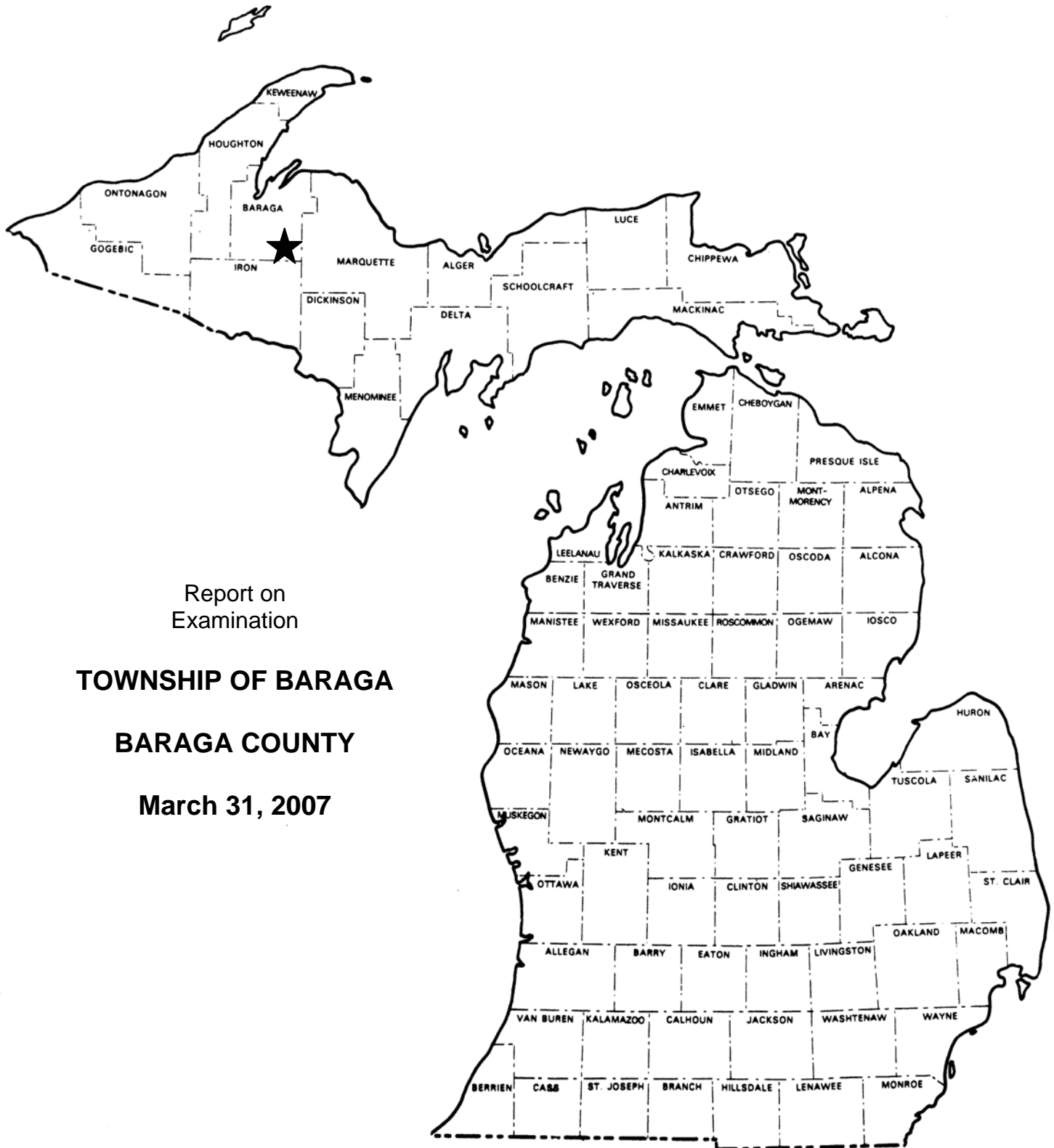


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



BARAGA TOWNSHIP--BARAGA COUNTY
TOWNSHIP BOARD

Daniel Loosemore
Supervisor

Amy Isaacson
Clerk

Catherine Wadaga
Treasurer

Jerry Dompier
Trustee

Glenn Juntunen
Trustee

TOWNSHIP POPULATION--2000
2,257

STATE EQUALIZED VALUATION--2007
\$80,487,360



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 16, 2008

Township Board
Township of Baraga
325 Lyons Street
P.O. Box 246
Baraga, Michigan 49908

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Township, Baraga County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise Baraga Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Baraga Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baraga Township, as of March 31, 2007 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2008, on our consideration of the Baraga Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As discussed in Note I to the basic financial statements, the Township of Baraga has adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*; Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

The Management's Discussion and Analysis on pages 1 through 6 and the budgetary comparison information in Exhibits F through H are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baraga Township's basic financial statements. The accompanying supplementary and related information presented as Exhibits I through L are for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

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BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

The annual financial report of the Township of Baraga consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements); 4) *Required Supplementary Information* such as budget-and-actual comparisons for the General Fund and Major Special Revenue Funds; and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-Wide Financial Statements (Reporting the Township as a Whole)

The Statement of Net Assets and the Statement of Activities provide information about the Township as a whole and present a longer-term view of the Township's finances. Their purpose is to assist in answering the question, "Is the Township of Baraga, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the Township of Baraga's assets and liabilities, recording the difference between the two as "net assets." Over time, increases or decreases in net assets measure whether the Township of Baraga's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Baraga's net assets changed during the fiscal year 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Fund Financial Statements (Reporting the Township's Major Funds)

The governmental funds financial statements are reported on a *modified accrual basis of accounting*. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds (major funds). Fund financial statements are utilized to track specific operations; these include the General, Fire and Ambulance Funds.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

There are no business-type activities or component units.

Comparison of Government-Wide and Fund Financial Statements

Both statements report governmental activities. Governmental activities include the General Fund and Special Revenue Funds.

Because of the different basis of accounting between the fund statements and the government-wide statements, reconciliations between the two statement types are also presented in this report. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for personal leave (compensated absences), etc., appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, the government-wide financial statements include the net value of the Township of Baraga's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Governmental Activities/Governmental Funds

All of the Township of Baraga's basic services are reported under this category. Taxes, revenue sharing, State and Federal grants, charges for services and donations primarily fund these services. Most of the Township of Baraga's general government departments such as general government, public safety, recreation programs, and health and welfare programs are reported under these activities.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The Township's net assets for the governmental funds are \$1,153,604 for fiscal year ended March 31, 2007.

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	Increase (Decrease) Variance	% of Change
Current and Other Assets	\$ 533,561	\$ 636,111	\$102,550	19%
Capital Assets	<u>623,013</u>	<u>612,590</u>	<u>(10,423)</u>	<u>-2%</u>
Total Assets	<u>1,156,574</u>	<u>1,248,701</u>	<u>92,127</u>	<u>8%</u>
Other Liabilities	12,297	18,047	5,750	47%
Long-Term Liabilities	<u>133,017</u>	<u>77,050</u>	<u>(55,967)</u>	<u>-42%</u>
Total Liabilities	<u>145,314</u>	<u>95,097</u>	<u>(50,217)</u>	<u>-35%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	489,996	535,540	45,544	9%
Restricted	180,047	159,302	(20,745)	-12%
Unrestricted (Deficit)	<u>341,217</u>	<u>458,762</u>	<u>117,545</u>	<u>34%</u>
Total Net Assets	<u>\$ 1,011,260</u>	<u>\$ 1,153,604</u>	<u>\$142,344</u>	<u>14%</u>

A portion of the Township's net assets in the amount of \$535,540 reflects its investments in capital assets (i.e., land, buildings, vehicles, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets, \$159,302, represents resources that are subject to external restrictions on how they may be used, these are mostly special revenue funds and reservations in fund balance.

The remaining balance of \$458,762 represents *unrestricted net assets* that may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Township was able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, for the government as a whole, as well as for its separate governmental activities as explained above.

BARAGA TOWNSHIP--BARAGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the change in the net assets for the year ended March 31, 2007. Since this is the first year of GASB Statement No. 34 implementation for the Township, a comparative analysis will be provided in future years when prior year information is available.

	Governmental Activities <u>2007</u>
Program Revenues	
Charges for Services	\$ 15,868
Operating Grants and Contributions	43,748
Capital Grants and Contributions	33,801
General Revenues	
Property Taxes	279,915
State-Shared Revenues	140,479
Unrestricted Investment Earnings	16,694
Other Revenue	<u>1,500</u>
Total Revenues	<u>532,005</u>
Program Expenses	
General Government	136,470
Public Safety	122,438
Public Works	27,030
Community and Economic Development	12,343
Health and Welfare	87,347
Interest on Long-Term Debt	<u>4,033</u>
Total Expenses	<u>389,661</u>
Change in Net Assets	<u><u>\$ 142,344</u></u>

The net assets increased by \$142,344, primarily due to an increase in property taxes, Federal and State grants, interest earnings and a decrease in general government expenses.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township's Funds

	Governmental Funds
	<u>2007</u>
Revenues	
Taxes and Penalties	\$ 279,915
Licenses and Permits	10,688
Federal Grants	14,400
State Grants	165,015
Charges for Services	4,924
Donations	25,000
Interest and Rentals	16,694
Other Revenue	<u>15,369</u>
Total Revenues	<u>532,005</u>
Program Expenses	
General Government	121,190
Public Safety	83,895
Public Works	27,030
Community and Economic Development	12,343
Health and Welfare	87,347
Capital Outlay	43,401
Principal	55,755
Interest	<u>4,245</u>
Total Expenses	<u>435,206</u>
Change in Fund Balance	<u>\$ 96,799</u>
Ending Fund Balance	<u><u>\$ 618,064</u></u>

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Fire Operating Fund and the Ambulance Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government, health and welfare, and public safety, which incurred expenses of approximately \$121,190, \$87,347 and \$83,895, respectively, in 2007. These services are supported by the operating millage and State-shared revenues. The other significant services are public works and community and economic development. The increase in fund balance is primarily due to an increase in property taxes, Federal and State grants, interest earnings and a decrease in general government expenditures.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

The Township Board amended the budget to take into account events occurring during the year, primarily the cutting of expenses across all departments and related budgets to try and provide a surplus for the Township this year. As State-shared revenues continue to decrease, the Township has continued to reduce expenditures. The Township Board monitors the budget to actual financial statements on a monthly basis.

During 2007, the revenue budget did not change and remained at \$244,120, which was \$65,063 less than the actual revenues. The largest variances were: increases in property tax administration fees, State grant, interest earnings and donations from private sources.

The expenditure budget was decreased by \$21,888, primary due to the decrease in appropriations to the fire fund and other general government activities, and increases in the budget to cover the cost of an additional election and road repairs. The final budget was \$48,816 more than the actual expenditures.

Capital Asset and Debt Administration

At the year end March 31, 2007, the Township had \$612,590 invested in a broad range of capital assets, including buildings, office equipment, furniture and fixtures. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Baraga County Road Commission (along with the responsibility to maintain them).

The Township has only one outstanding debt, an installment purchase agreement for a fire truck, which will be paid off in two years. The balance due at March 31, 2007 for this debt is \$77,050.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Township is not expecting any significant projects that will create a need to change the budget from the previous year. The Township will again be closely monitoring its budget as revenues will remain relatively the same as the Township continues to try and cut expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 325 Lyons Street, P.O. Box 246, Baraga, Michigan 49908.

**BARAGA TOWNSHIP--BARAGA COUNTY
GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
March 31, 2007**

EXHIBIT A

	Total Governmental Activities
<u>ASSETS</u>	
Current Assets	
Cash	\$ 592,452
Receivables	
Taxes Receivable	16,297
Accounts	945
Prepaid Expenses	4,011
Due From State	<u>22,406</u>
Total Current Assets	<u>636,111</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>612,590</u>
Total Noncurrent Assets	<u>612,590</u>
Total Assets	<u><u>\$ 1,248,701</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable	\$ 9,258
Accrued Liabilities	<u>8,789</u>
Total Current Liabilities	<u>18,047</u>
Long-Term Liabilities	
Notes Payable--Due Within One Year	58,103
Notes Payable--Due in More Than One Year	<u>18,947</u>
Total Noncurrent Liabilities	<u>77,050</u>
Total Liabilities	<u>95,097</u>
Net Assets	
Investment in Capital Assets--Net of Related Debt	535,540
Restricted for	
Fire Operating	47,798
Fire Station and Truck	107,754
Building Fund	3,750
Unrestricted	<u>458,762</u>
Total Net Assets	<u><u>\$ 1,153,604</u></u>

The Notes to Financial Statements are an integral part of this statement.

BARAGA TOWNSHIP--BARAGA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2007

EXHIBIT B

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Total
Governmental Activities						
General Government	\$ 136,470	\$ 3,496	\$ 13,613	\$ 19,401	\$ (99,960)	\$ (99,960)
Public Safety	122,438	10,688	25,000	14,400	(72,350)	(72,350)
Public Works	27,030	-	5,135		(21,895)	(21,895)
Community and Economic Development	12,343	1,684			(10,659)	(10,659)
Health and Welfare	87,347		-		(87,347)	(87,347)
Interest on Long-Term Debt	4,033				(4,033)	(4,033)
Total Governmental Activities	389,661	15,868	43,748	33,801	(296,244)	(296,244)
Total	\$ 389,661	\$ 15,868	\$ 43,748	\$ 33,801	\$ (296,244)	\$ (296,244)
General Revenues						
Property Taxes					\$ 279,915	\$ 279,915
State-Shared Revenues					140,479	140,479
Unrestricted Investment Earnings					16,694	16,694
Sale of Surplus Property					1,500	1,500
Total General Revenues--Special Items and Transfers					438,588	438,588
Change in Net Assets					142,344	142,344
Net Assets--Beginning					1,011,260	1,011,260
Net Assets--Ending					\$ 1,153,604	\$ 1,153,604

The Notes to Financial Statements are an integral part of this statement

BARAGA TOWNSHIP--BARAGA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2007

EXHIBIT C

	SPECIAL REVENUE FUNDS				Total Governmental Funds
	General	Fire Operating	Ambulance	Building	
<u>ASSETS</u>					
Bank Deposits	\$ 440,785	\$ 45,983	\$ 102,792	\$ 2,892	\$ 592,452
Accounts Receivable		-		945	945
Taxes Receivable	4,667	6,668	4,962	-	16,297
Due From State	22,406				22,406
Prepaid Expenses	1,003	3,008		-	4,011
Total Assets	<u>\$ 468,861</u>	<u>\$ 55,659</u>	<u>\$ 107,754</u>	<u>\$ 3,837</u>	<u>\$ 636,111</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 4,505	\$ 4,701		\$ 52	\$ 9,258
Accrued Liabilities	5,594	3,160		35	8,789
Total Liabilities	<u>10,099</u>	<u>7,861</u>	<u>\$ -</u>	<u>87</u>	<u>18,047</u>
Fund Equity					
Fund Balances					
Unreserved--Undesignated	458,762	47,798	107,754	3,750	618,064
Total Fund Equity	<u>458,762</u>	<u>47,798</u>	<u>107,754</u>	<u>3,750</u>	<u>618,064</u>
Total Liabilities and Fund Equity	<u>\$ 468,861</u>	<u>\$ 55,659</u>	<u>\$ 107,754</u>	<u>\$ 3,837</u>	<u>\$ 636,111</u>
Fund Balances--Total Governmental Funds					\$ 618,064
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					612,590
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					(77,050)
Net Assets of Governmental Activities					<u>\$ 1,153,604</u>

The Notes to Financial Statements are an integral part of this statement.

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended March 31, 2007

EXHIBIT D

	General	Fire Operating	Ambulance	Building	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 107,181	\$ 99,018	\$ 73,716		\$279,915
Licenses and Permits	-		-	\$ 10,688	10,688
Federal Grants		14,400	-		14,400
State Grants	165,015		-		165,015
Charges for Services	4,924	-			4,924
Donations	-		25,000		25,000
Interest and Rentals	16,694	-	-		16,694
Other Revenue	15,369	-	-		15,369
Total Revenues	309,183	113,418	98,716	10,688	532,005
Expenditures					
Current					
General Government	121,190				121,190
Public Safety		72,695	-	11,200	83,895
Public Works	27,030		-		27,030
Community and Economic Development	12,343				12,343
Health and Welfare	5,675		81,672		87,347
Capital Outlay	25,401	18,000	-		43,401
Debt Service					
Principal		55,967			55,967
Interest		4,033			4,033
Total Expenditures	191,639	150,695	81,672	11,200	435,206
Excess of Revenues Over (Under) Expenditures	117,544	(37,277)	17,044	(512)	96,799
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	117,544	(37,277)	17,044	(512)	96,799
Fund Balance--April 1, 2006	341,218	85,075	90,710	4,262	521,265
Fund Balance--March 31, 2007	\$458,762	\$ 47,798	\$107,754	\$ 3,750	\$618,064
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses					\$ 96,799
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.					(10,422)
Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).					55,967
Change in Net Assets of Governmental Activities					\$142,344

The Notes to Financial Statements are an integral part of this statement

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
March 31, 2007

EXHIBIT E

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 627</u>
Total Assets	<u><u>\$ 627</u></u>
<u>LIABILITIES</u>	
Liabilities	
Due to Other Units of Government	<u>\$ 627</u>
Total Liabilities	<u><u>\$ 627</u></u>

The Notes to the Financial Statements are an integral part of this statement.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Baraga Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Baraga Township:

REPORTING ENTITY

Baraga Township is located in Baraga County and provides services to its residents in many areas including fire protection, street lighting, community enrichment and development, and human services. Baraga Township is a general law township governed by a 5 member board elected by the citizens of Baraga Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Educational services are provided through the local school districts, which are separate governmental entities and, therefore, are not presented in the financial statements included herein. The township is the primary government and there are no other component units that should be reported.

RELATED ORGANIZATIONS

Bay Ambulance, Inc.

Baraga Township in conjunction with the Arvon, L'Anse, and Laird Townships and Keweenaw Bay Tribal Community have entered into agreements with the Bay Ambulance, Inc., to provide ambulance service to the citizens of the respective units. The local units of government do not participate in the operation of the Bay Ambulance, Inc., other than the payment of a set rate of \$14.00 per citizen. Approximately 40% of the operating support for the Bay Ambulance, Inc., was attributable to the townships and Keweenaw Bay Indian Community. The following is a summary of the amounts paid to the Bay Ambulance, Inc.:

<u>Unit</u>	<u>Population</u>	<u>Payments</u>
Arvon Township	482	\$ 6,748
Baraga Township	3,542	56,672
L'Anse Township	3,926	54,964
Laird Township	634	8,876
Keweenaw Bay Indian Community		17,000

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township paid an additional \$25,000 during 2007. The township had received \$25,000 from the Keweenaw Bay Tribal Community as part of the 2% “net win” (gaming fees) and they had requested that these funds be used for ambulance purposes.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the township millage revenue that is reserved for the operation of the fire department.

The Ambulance Fund accounts for township millage revenue that is reserved for the operation of ambulance services.

The township also has a Building Fund, which is a nonmajor fund.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted first, then unrestricted resources as they are needed.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	20 to 40 years
Computers	3 to 5 years
Equipment	3 to 10 years
Furnitures and Fixtures	5 to 10 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by the township board for the general and special revenue funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibits F through L for the major funds, include the original adopted budget and any authorized amendments to the original budget.

Excess of Expenditures over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each special revenue fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act. During the year ended March 31, 2007, the following expenditures were in excess of the final amended budgets.

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
General Government			
Elections	\$ 13,870	\$ 14,134	\$ (264)
Public Works			
Street Lights	6,099	6,158	(59)
Health and Welfare			
Pelkie EMS	5,360	5,675	(315)
Capital Outlay	6,000	25,401	(19,401)
Fire Operating Fund			
Debt Service--Principal	55,848	55,967	(119)
Ambulance Fund			
Ambulance Services	56,672	81,672	(25,000)

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the township are at one bank in the name of the township. The investment policy adopted by the board in accordance Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits are in accordance with statutory authority.

The risk disclosures for the township's deposits at March 31, 2007, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 592,452</u>	<u>\$ 627</u>	<u>\$ 593,079</u>
Total	<u><u>\$ 592,452</u></u>	<u><u>\$ 627</u></u>	<u><u>\$ 593,079</u></u>

The breakdown between deposits and investments is as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured	<u>493,079</u>	<u>494,077</u>
Total Deposits and Imprest Cash	<u><u>\$ 593,079</u></u>	<u><u>\$ 594,077</u></u>

Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township's investment policy does not limit its exposure to interest rate risk, credit risk, and concentration of credit risk.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The township has limited its investments to certificates of deposits.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by purchasing certificates of deposit at more than one bank.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES

The township property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payments from the county for the 2006 delinquent taxes, which are purchased subsequent to March 31, are recorded as delinquent taxes receivable in the general and special revenue funds.

The 2006 taxable value of Baraga Township amounted to \$48,645,071, on which ad valorem taxes of 3.6896 mills were levied for the following purposes: 1.0000 mill for Township Operating, 2.0000 mills for Fire Service and 1.4884 mills for Ambulance Service. The 2006 current tax levy included \$48,583 for Township Operations, \$97,176 for Fire Service and \$72,314 for Ambulance Service. These taxes are recorded as revenue on the townships records when received.

NOTE E--LONG-TERM DEBT

The long-term debt of the township is as follows:

	<u>Balances</u> <u>04/01/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>03/31/07</u>	<u>Due Within</u> <u>One Year</u>
Fire Truck--Pierce Manufacturing \$230,000 Promissory Note dated December 1, 2004	<u>\$ 133,017</u>	<u>\$ (55,967)</u>	<u>\$77,050</u>	<u>\$ 58,103</u>
Total	<u><u>\$ 133,017</u></u>	<u><u>\$ (55,967)</u></u>	<u><u>\$77,050</u></u>	<u><u>\$ 58,103</u></u>

One (1) 2004 Fire Truck was purchased in December 2004 under a purchase agreement through Superior National Bank and Trust. The purchase price was \$258,025 with \$230,000 being financed, with monthly payments of \$4,209.96 at an interest rate of 3.75%. The township has been making monthly payments of \$5,000 to pay the fire truck off early.

<u>Loan</u> <u>Date</u>	<u>Loan</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Year</u>	<u>Outstanding</u> <u>03/31/07</u>	<u>Interest</u> <u>Payable if</u> <u>Held to</u> <u>Maturity</u>
12/01/04	\$ 230,000	3.75%	2008	\$ 58,103	\$ 1,897
			2009	<u>18,948</u>	<u>131</u>
			Total	<u><u>\$ 77,050</u></u>	<u><u>\$ 2,029</u></u>

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Buildings	\$ 409,600			\$ 409,600
Vehicles	417,165	\$ 6,000		423,165
Equipment and Furniture	74,316	37,401		111,717
Total	<u>901,081</u>	<u>43,401</u>	<u>\$ -</u>	<u>944,482</u>
Less Accumulated Depreciation				
Buildings	93,172	12,578		105,750
Vehicles	150,628	16,133		166,761
Equipment and Furniture	34,268	25,113		59,381
Total	<u>278,068</u>	<u>53,824</u>	<u>-</u>	<u>331,892</u>
Net Capital Assets Being Depreciated	<u>623,013</u>	<u>(10,423)</u>	<u>-</u>	<u>612,590</u>
Total Net Capital Assets	<u>\$ 623,013</u>	<u>\$ 43,401</u>	<u>\$ 53,824</u>	<u>\$ 612,590</u>

The depreciation expense was \$53,824 during the year. Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$15,281
Public Safety	<u>38,543</u>
Total Governmental Activities	<u>\$53,824</u>

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--RETIREMENT PLAN

The township has investments purchased through John Hancock Life Insurance Company for the township's pension plan. The township's pension investments are in accordance with statutory authority. The pension plan monies are invested in insurance guaranteed funds, which cannot, by definition, be categorized by risk. A summary of the investments at March 31, 2007, which are recorded at market value, may be presented as follows:

	<u>Fair Value</u>	<u>Carrying Value</u>
Insurance Guaranteed Account	<u>\$ 79,189</u>	<u>\$ 79,189</u>

The township provides pension benefits for all of its elected or appointed officials through a defined contribution plan administered by John Hancock Life Insurance Company, known as Baraga Township Group Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan on the first entry date coinciding with or immediately following the date of employment provided the employee is at least 18 years old but not more than age 75. The township will contribute to the plan an amount up to 20% of the annual compensation. Employees may also make voluntary pretax contributions to the plan up to a maximum of 5% of their annual compensation. The township's contributions for each employee are fully vested as they are earned. Employee contributions to the plan are also fully vested, along with investment earnings. The township contributed \$8,400 as required by the plan. There were five (5) covered employees for the year ended March 31, 2007.

NOTE H--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2006, the township implemented several new accounting standards issued by GASB: Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, as amended by Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues*, which establishes standards for recording non-exchange transactions on the accrual basis of accounting. Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus*, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating contributed capital accounts and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations. Statement No. 38, *Certain Financial Statement Note Disclosures*, which requires certain note disclosures when implementing GASB Statement No. 34.

**BARAGA TOWNSHIP--BARAGA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2007**

EXHIBIT F

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$ 95,620	\$ 95,620	\$ 107,181	\$ 11,561
State Grants	143,000	143,000	165,015	22,015
Charges for Services	2,000	2,000	4,924	2,924
Interest and Rentals	3,500	3,500	16,694	13,194
Other Revenue	-	-	15,369	15,369
Total Revenues	244,120	244,120	309,183	65,063
Expenditures				
Current				
General Government	175,343	179,083	121,190	57,893
Public Works	12,700	27,012	27,030	(18)
Community and Economic Development	23,000	23,000	12,343	10,657
Health and Welfare	11,300	5,360	5,675	(315)
Capital Outlay	-	6,000	25,401	(19,401)
Total Expenditures	222,343	240,455	191,639	48,816
Excess of Revenues Over (Under) Expenditures	21,777	3,665	117,544	113,879
Other Financing Sources (Uses)				
Interfund Transfers In		-	-	-
Interfund Transfers (Out)	(40,000)	-	-	-
Total Other Financing Sources (Uses)	(40,000)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(18,223)	3,665	117,544	113,879
Fund Balance--April 1, 2006	341,218	341,218	341,218	-
Fund Balance--March 31, 2007	\$ 322,995	\$ 344,883	\$ 458,762	\$ 113,879

BARAGA TOWNSHIP--BARAGA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE OPERATING FUND--MAJOR SPECIAL REVENUE FUND
For the Year Ended March 31, 2007

EXHIBIT G

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 90,000	\$ 90,000	\$ 99,018	\$ 9,018
Federal Grant			14,400	14,400
Total Revenues	90,000	90,000	113,418	23,418
Expenditures				
Public Safety	88,000	88,000	72,695	15,305
Capital Outlay	20,000	20,000	18,000	2,000
Debt Service--Principal	55,954	55,848	55,967	(119)
Debt Service--Interest	4,046	4,152	4,033	119
Total Expenditures	168,000	168,000	150,695	17,305
Excess of Revenues Over (Under) Expenditures	(78,000)	(78,000)	(37,277)	40,723
Other Financing Sources (Uses)				
Interfund Transfers In	40,000	-	-	-
Total Other Financing Sources (Uses)	40,000	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(38,000)	(78,000)	(37,277)	40,723
Fund Balance--April 1, 2006	85,075	85,075	85,075	-
Fund Balance--March 31, 2007	\$ 47,075	\$ 7,075	\$ 47,798	\$ 40,723

BARAGA TOWNSHIP--BARAGA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
AMBULANCE FUND--MAJOR SPECIAL REVENUE FUND
For the Year Ended March 31, 2007

EXHIBIT H

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 70,000	\$ 70,000	\$ 73,716	\$ 3,716
Donations	-	-	25,000	25,000
Total Revenues	70,000	70,000	98,716	28,716
Expenditures				
Ambulance Services	56,672	56,672	81,672	(25,000)
Total Expenditures	56,672	56,672	81,672	(25,000)
Excess of Revenues Over (Under) Expenditures	13,328	13,328	17,044	53,716
Fund Balance--April 1, 2006	-	-	90,710	90,710
Fund Balance--March 31, 2007	<u>\$ 13,328</u>	<u>\$ 13,328</u>	<u>\$ 107,754</u>	<u>\$ 94,426</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUND
BUILDING FUND--SPECIAL REVENUE FUND
For the Year Ended March 31, 2007**

EXHIBIT I

	<u>Building Department</u>
<u>ASSETS</u>	
Bank Deposits	\$ 2,892
Accounts Receivable	<u>945</u>
Total Assets	<u><u>\$ 3,837</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Accounts Payable	\$ 52
Accrued Payroll	<u>35</u>
Total Liabilities	<u>87</u>
Fund Balances	
Unreserved--Undesignated	<u>3,750</u>
Total Fund Balances	<u>3,750</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,837</u></u>

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUND
BUILDING FUND--SPECIAL REVENUE FUND
For the Year Ended March 31, 2007

EXHIBIT J

	<u>Building Department</u>
Revenues	
Licenses and Permits	<u>\$ 10,688</u>
Total Revenues	<u>10,688</u>
Expenditures	
Public Safety	<u>11,200</u>
Total Expenditures	<u>11,200</u>
Excess of Revenue Over (Under)	
Expenditures	(512)
Fund Balance--April 1, 2006	<u>4,262</u>
Fund Balance--March 31, 2007	<u><u>\$ 3,750</u></u>

BARAGA TOWNSHIP--BARAGA COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING
SOURCES--BUDGET TO ACTUAL--GENERAL FUND
For the Year Ended March 31, 2007

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes and Penalties				
Current Property Taxes	\$ 45,020	\$ 45,020	\$ 45,662	\$ 642
Delinquent Personal Property Taxes	-	-	68	68
Other Taxes	33,800	33,800	29,073	(4,727)
Property Tax Administration Fees	16,800	16,800	32,378	15,578
Total Taxes and Penalties	95,620	95,620	107,181	11,561
State Grants				
Revenue Sharing	143,000	143,000	140,479	(2,521)
State Grant			19,401	19,401
Metro Act	-	-	5,135	5,135
Total State Grants	143,000	143,000	165,015	22,015
Charges for Services				
Refunds	-	-	1,684	1,684
Other Charges for Services	2,000	2,000	3,240	1,240
Total Charges for Services	2,000	2,000	4,924	2,924
Interest and Rents				
Interest Earned	3,500	3,500	16,694	13,194
Total Interest and Rents	3,500	3,500	16,694	13,194
Other Revenues				
Donations From Private Sources			13,613	13,613
Sale of Surplus Property			1,500	1,500
Refunds and Reimbursements	-	-	256	256
Total Other Revenues	-	-	15,369	15,369
Total Revenue	244,120	244,120	309,183	65,063
Total Revenues and Other Financing Sources	\$244,120	\$244,120	\$309,183	\$ 65,063

BARAGA TOWNSHIP--BARAGA COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2007

EXHIBIT L

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
General Government				
Township Board	\$ 32,495	\$ 32,495	\$ 16,146	\$ 16,349
Supervisor	14,660	14,660	12,509	2,151
Elections	7,500	13,870	14,134	(264)
Audit	5,000	5,000	-	5,000
Assessor	18,550	18,550	16,169	2,381
Clerk	27,653	25,023	24,121	902
Board of Review	3,022	3,022	2,146	876
Treasurer	30,523	30,523	29,359	1,164
Building and Grounds	23,640	23,640	5,144	18,496
Cemetery	12,300	12,300	1,462	10,838
Total General Government	175,343	179,083	121,190	57,893
Public Works				
Street Lights	6,000	6,099	6,158	(59)
Garbage	6,700	6,541	6,500	41
Road Maintenance	-	14,372	14,372	0
Total Public Works	12,700	27,012	27,030	(18)
Health and Welfare				
Pelkie EMS	11,300	5,360	5,675	(315)
Total Health and Welfare	11,300	5,360	5,675	(315)
Community Development				
Community Promotion	10,000	10,000	4,172	5,828
Historical Society	3,000	3,000	3,000	-
Zoning Board of Appeals	10,000	10,000	5,171	4,829
Total Community Development	23,000	23,000	12,343	10,657
Capital Outlay				
Capital Outlay	-	6,000	25,401	(19,401)
Total Capital Outlay	-	6,000	25,401	(19,401)
Total Expenditures	222,343	240,455	191,639	48,816
Other Financing Uses				
Interfund Transfers (Out)				
Fire Operating	40,000	-	-	-
Total Other Financing Uses	40,000	-	-	-
Total Expenditures and Other Financing Uses	\$ 262,343	\$ 240,455	\$ 191,639	\$ 48,816



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 16, 2008

Township Board
Township of Baraga
325 Lyons Street
P.O. Box 246
Baraga, Michigan 49908

RE: Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements Performed
in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Baraga, Baraga County, Michigan, as of and for the year ended March 31, 2007, and have issued our report thereon dated October 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Baraga Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Baraga Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baraga Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that could adversely affect the township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting which are listed as Findings 2007-1 through 2007-3.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Baraga Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baraga Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings as Findings 2007-4 through 2007-6.

This report is intended solely for the information of the Baraga Township Board, the township's management and others within the County of Baraga, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 16, 2008

Township of Baraga
Board of Trustees
325 Lyons Street
P.O. Box 246
Baraga, Michigan 49908

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Baraga for the year ended March 31, 2007, and have issued our report thereon dated October 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in the engagement letter dated November 29, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Baraga. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Township of Baraga's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Township of Baraga. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 2, 2007.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Baraga are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending March 31, 2007. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2008.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Township of Baraga’s Board and management of the Township of Baraga and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS

SIGNIFICANT DEFICIENCIES

Our study and evaluation of internal control disclosed the following conditions that we believe to be significant deficiencies:

Repeat Comment--Interim Year Financial Statements

Finding 2007-1

Condition: The Township of Baraga is required by State statute to have an audit every two years, unless a Single Audit is required. However, State law also requires the township to prepare annually a statement of the financial condition of the township. For the year ended March 31, 2003, there was not sufficient financial information available to indicate the amount of cash that belonged in each of the township's various funds. For this reason, it was necessary for us to reconstruct opening and ending balances for each fund before we could proceed with the audit.

Recommendation: We recommend that the township maintain a complete general ledger for each fund and for each year and retain a copy of the year end financial statements as part of the permanent records of the township.

Repeat Comment--Issuance of a Receipt for All Revenue Received

Finding 2007-2

Condition: We found that the township does not have any formal policy or procedures for receipting in revenue other than taxes received.

Criteria: The Standards of Internal Control for Federal Governments states that documentation must be maintained. The Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury further enhances this. It states official receipts are to be issued for each collection whether received from an individual, the state, the county, or another local unit department. Receipts must be printer pre-numbered with the name of the local unit printed on the receipt, indicate method of payment, and provide immediate revenue classification in conformance with the Uniform Chart of Accounts. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted and collections must be reconciled by an individual not involved in the receipt process.

Recommendation: We recommend that receipts be written for all revenue received from whatever source. Further, the township must maintain a complete and accurate receipt register. Each month the bank deposits should be reconciled with the receipts issued and the cash balance in the general ledger.

Repeat Comment--General Capital Assets

Finding 2007-3

Condition: As noted in the prior year audits, the township does not maintain adequate internal controls for capital assets. The township has not adopted a capitalization policy to determine a "threshold" to capitalize an asset or record it as an expenditure.

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS

SIGNIFICANT DEFICIENCIES (Continued)

Criteria: It is the responsibility of the township to update the capital assets listing for additions and deletions. Assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records.

Recommendation: We recommend that the township develop a property management system that includes all of the following steps:

- 1) An inventory of all capital assets owned by the township should be taken and included in the permanent records of the township and updated annually.
- 2) All assets owned by the township should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the township should keep records on all assets owned by the township which includes the following information:

-Date of Acquisition	-Date of Disposal (when sold or scrapped)
-Tag Number	-Salvage Value (if any)
-Description of Property	-Life of Asset
-Original Cost of Asset	-Depreciation Method of the Asset
-Location of Asset	-Accumulated Depreciation of the Asset

- 4) Capital assets that meet the township's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

After the completion of the audit, the township did adopt a Capitalization Policy.

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS

Our examination revealed the following instances on noncompliance with State statutes and regulations.

Budget Adoption

Finding 2007-4

Condition: The township adopts a budget that does not contain the beginning fund balance or the projected fund balance. The budget does not contain the expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS (Continued)

Criteria: MCL 141.435 Recommended budget; contents; limitation on total estimated expenditures.

- (1) The recommended budget shall include at least the following:
 - (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
 - (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.
 - (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.
 - (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
 - (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
 - (f) An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
 - (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.
- (2) The total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus.

Directive: We direct the township to adopt a budget that contains the beginning fund balance or projected fund balance, expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year as required by this statute.

Repeat Comment--Excess Expenditures Over Appropriations

Finding 2007-5

Condition: During the fiscal year ended March 31, 2007, expenditures were incurred in excess of amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
General Government			
Elections	\$ 13,870	\$ 14,134	\$ (264)
Public Works			
Street Lights	6,099	6,158	(59)
Health and Welfare			
Pelkie EMS	5,360	5,675	(315)
Capital Outlay	6,000	25,401	(19,401)
Fire Operating Fund			
Debt Service--Principal	55,848	55,967	(119)
Ambulance Fund			
Ambulance Services	56,672	81,672	(25,000)

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS (Continued)

Criteria: MCL 141.437 Section 17 (1) states: "Except as otherwise provided in section 19, a deviation from the original general appropriations act shall not be made without amending the general appropriations act. Subject to section 16(2), the legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment. The legislative body may require that the chief administrative officer or fiscal officer provide it with periodic reports on the financial condition of the local unit."

MCL 141.439 Section 19 (1) states:

- (1) A member of the legislative body, the chief administrative officer, an administrative officer, or an employee of a local unit shall not authorize or participate in the expenditure of funds except as authorized by a general appropriations act. An expenditure shall not be incurred except in pursuance of the authority and appropriations of the legislative body of the local unit.
- (2) The legislative body in a general appropriations act may permit the chief administrative officer to execute transfers within limits stated in the act between appropriations without the prior approval of the legislative body.

Directive: We direct the township to comply with the above statutory budgeting requirements to develop budgetary control procedures, which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof. We also recommend that the township budget revenues and expenditures based on actual accounts used. The township should continue monitoring their budget on at least a quarterly basis.

Credit Card Policy

Finding 2007-6

Condition: The Township of Baraga is using credit cards without having a credit card policy adopted.

Criteria: Public Act 266 of 1995 requires a local unit to adopt, by resolution, a written policy that provides all of the following:

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, retrieval and generally for overseeing compliance with the credit card policy.
- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase and the official business.

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS (Continued)

- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices before payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

Directive: We direct the township to adopt a credit card policy that includes the items listed above.

After the completion of the audit, the township did adopt a Credit Card Policy.